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SUBJECT: SHARON DENIES PERSONAL MOTIVATIONS IN TENNENBAUM
SWAP; ABSENT PROOF, THE "SCANDAL" WILL BLOW OVER

REF: TEL AVIV 580

Classified By: Deputy Chief of Mission Richard LeBaron for reasons 1.4
(b) and (d).

1. (C) Summary: Prime Minister Sharon and his staff have forcefully denied the explosive March 3 "Ma'ariv" story impugning his motives in the handling of the release of Elhanan Tennenbaum as part of the Hizballah prisoner exchange. Contrary to the paper's allegation that Sharon was influenced by his business relationship 30 years ago with Tennenbaum's former father-in-law, Shimon Cohen, Sharon Chief of Staff Dov Weissglas told the Ambassador that Sharon had had no idea of any familial relationship between Tennenbaum and Cohen. Weissglas also cast doubt on the motives of the right-wing reporter who broke the story. Although opposition parties are expected to submit no-confidence motions over the matter and to demand a commission of inquiry, Sharon's potential rivals within Likud have fallen into line behind him. Absent any reliable report proving the PM lied about his knowledge about the relationship between Tennenbaum and Cohen, the story will probably blow over in the coming days, especially as Israelis turn to the Purim holiday, effectively through Monday. As one pollster noted, however, the story will likely contribute to a growing lack of confidence in the PM. End Summary.

The Story: An Alleged Connection
Between Sharon and Tennenbaum

2. (SBU) The popular Hebrew daily "Ma'ariv" created a media frenzy with its March 3 "exclusive" about a personal relationship between PM Sharon and the father-in-law of Elhanan Tennenbaum. Tennenbaum was returned to Israel as part of the January 29 Hizballah prisoner exchange (reftel). Ma'ariv devoted the entire front page -- under an apparently deliberately ambiguous banner headline that could be translated either as "The Connection" or "The Conspiracy" -- and the succeeding six inside pages to the matter. The story contended that Tennenbaum's former father-in-law (he is now divorced), Shimon Cohen, was a business partner of Sharon in the 1970's, one of three people responsible for the agricultural management of Sharon's Shikmim Farm. Kalman Liebskind, who was the lead writer of this piece, stopped short of alleging that this personal acquaintanceship influenced the PM in his decision making on the prisoner exchange deal, but he faulted Sharon for failing to reveal the nature of his connection with the Tennenbaum family.

3. (SBU) Reports differ over how recently Sharon may or may not have had contact with the now 89 year-old Cohen, and whether Sharon knew of Tennenbaum's relation to his former business partner. Some reports referred to a "strong" relationship between the two and cited Cohen as saying that the PM was aware of the familial relationship between Cohen and Tennenbaum. Meanwhile, Cohen was quoted in other news outlets as saying that he had not stayed in contact with Sharon for the past 30 years and that he had forbidden his grandchildren (Tennenbaum's children) from seeking preferential treatment based on his past dealings with Sharon. The most that Liebskind et al. could come up with in a March 5 follow-up story was that Cohen was a party to a 1992 legal dispute about a land deal near Sharon's Shikmim farm in which Sharon's younger son, Gilad, was involved, and in which Sharon had intervened.

Calls for Sharon's Resignation

4. (SBU) The Ma'ariv scoop was accompanied by two strongly-worded op-eds calling on Sharon to step down. Dan Margalit, who previously called for the PM's resignation over the David Appel (or "Greek Island") affair, gave voice to an increasing sense of exasperation with corruption that many in Israeli society feel: "I used to joke bitterly that Tennenbaum must be a partner in the Greek Island enterprise. Now it has become apparent that the business relationship between Tennenbaum's family member and Sharon was stronger." Ultimately, Margalit faulted Sharon less for his presumed favoritism toward Tennenbaum than for his failure to fully disclose his ties to Tennenbaum's father-in-law, suggesting that the incident reflects a deeply flawed culture of

government.

15. (SBU) Commentator Ben Caspit, who has been critical of Sharon in the past but not in the Sharon-bashing style of the Israeli left, offered a similar take, suggesting that this scandal could be the straw that breaks Sharon's back. Condemning Sharon's alleged failure to disclose his relationship with Cohen, he wrote: "You didn't think that this marginal detail, your acquaintance with the family, the business ties, was relevant and connected to the issue? You believed that such a thing could remain secret, unknown, concealed forever? Where is the judgment? Where is the decency? Where is the proper conduct, which is supposed to serve as an example to all...? Is it possible that you don't even understand this? If so, it's an even harsher problem. This is, perhaps, your natural way of thinking. That is the way you picked up the phone in the past, called on the director general of the Transport Ministry and tried to help your friends from Kfar Malal. (Note: Allegedly to secure a higher price for land acquired by the GOI. End Note.) That is the way that you became entangled in further affairs, surprisingly similar to one another.... We have lost our faith in you. We somehow got through the stories, the recordings, the photographs, the denials, the silences.... We can no longer do it.... Go home, to Shikmim Farm."

Angry Denials from the PM

16. (C) Speaking privately to the Ambassador, the PM's Chief of Staff, Dov Weissglas, said that Sharon had no idea that Cohen was related to Tennenbaum. He also cast doubt on the motives of the Ma'ariv reporter who broke the story, pointing out that Ma'ariv had brought the writer on board from "Mekor Rishon," a right-wing, settler-oriented newspaper, to help balance the perception that its editor-in-chief, Amnon Dankner, is too leftist. Weissglas pointed out that this was not the first time Liebskind had concocted a far-fetched conspiracy theory about the PM -- a previous story had made allegations about business ties between Sharon and the Greek Orthodox Patriarch.

17. (SBU) Publicly, too, the PM and his staff wasted little time in rebutting the Ma'ariv story. The PM's bureau issued a statement denying that Sharon or anyone in his office knew who Tennenbaum's father-in-law was at the time of the Cabinet discussion of the prisoner exchange. The statement also pointed out that the relationship was short-lived and took place 30 years ago. The PM also refuted the story in personal interviews with Israel's leading television channels, breaking with his long-standing policy of granting interviews only on major holidays. He rejected the "malicious and despicable" allegations as "libel." In addition, Sharon made an angry, impromptu statement to members of the press at the Knesset. Unnamed officials in the PM's office dismissed the report as just "another attempt at defamation." Other "sources" close to the PM have been quoted in the print and electronic media suggesting that the Ma'ariv story represents little more than a far-right attempt to discredit Sharon over the Gaza withdrawal plan.

Politicians Holding Fire

18. (C) Leading political figures have been, for the most part, relatively cautious in responding on the record about these latest allegations. With increasingly damning leaks about Tennenbaum's unsavory activities (news stories this week reported variously on boxes of highly classified military documents and forged IDs that Tennenbaum had at his home at the time of his abduction, as well as his alleged involvement in drug deals and gambling; his fathering of a child out of wedlock was also revealed), the whole affair is taking on a bit of a foul smell with the Israeli public. Press coverage has reminded the public that the cabinet vote on the prisoner exchange was extremely close -- 12 to 11 --, probably leaving those ministers who voted in favor of the deal feeling vulnerable. (Note: The GOI did not release a list of which ministers voted which way. End Note.) A quote from an unnamed cabinet official suggests that such ministers may be eyeing Sharon, who campaigned vigorously for the exchange, as the fall guy: "One thing is certain," an unnamed government minister was quoted as telling Ma'ariv, "Without Arik Sharon, Elhanan Tennenbaum would still be held captive by Hizballah." An Embassy contact in MOD DG Yaron's office made this same point in private.

... Including Among Likud

19. (C) The conventional wisdom is that Labor and other opposition parties will treat this scandal as they have the previous corruption scandals surrounding the PM -- they will

continue to pursue (unsuccessfully) no-confidence motions and will probably also demand an official commission of inquiry. As long as these efforts are relegated to the opposition, however, they will have little practical impact on Sharon. Thus, the reaction within Sharon's own Likud ranks may be determinative, and thus far, Sharon's principal Likud rivals have fallen into line behind him. Finance Minister Netanyahu, Education Minister Limor Livnat, and Minister-Without-Portfolio Landau have all stated publicly that they do not believe the PM acted out of extraneous considerations in the Tennenbaum deal. Voicing gentle criticism, Likud MK Ehud Yatom was quoted on Israel Radio as saying that this matter is liable to raise questions and to create the impression of concealment. Other MKs are reportedly taking up their concerns, many of which pre-date the Ma'ariv disclosure, in the context of the Knesset Subcommittee on Intelligence and Secret Services, demanding explanations for the high price Israel paid for Tennenbaum's freedom.

Will it Go Anywhere?

10. (C) As commentator Yossi Verter wrote in Ha'aretz, only "time will tell whether Sharon dug his own grave" with his denials of knowledge about Cohen's relationship with Tennenbaum. "Any reliable report proving the prime minister lied on such a sensitive subject, with such moral, national, and security implications, could bring such disgrace upon him that it would be impossible for him to continue in office." Channel 10 political correspondent Raviv Drucker predicted to poloff that the whole issue amounted to "nothing" -- at least "nothing anyone would be able to prove" -- and would "disappear" in a matter of days. Pollster Dahlia Scheindlin shared the view that the initial story was "overblown," although she opined that it would contribute to a general lowering of Sharon's credibility and would fuel the perception that political expediency is a factor in Sharon's policy making. In fact, a Dachaf poll published on March 5 showed the percentage of Israelis who consider Sharon to be lacking credibility jumped from 51% in early February to 57% in early March. This poll found no direct linkage to the Tennenbaum issue, however, with 53% of Israelis accepting Sharon's motives as "pure" in the Tennenbaum/prisoner exchange deal.

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